Foreign Agriculture

September 18, 1978

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

2 PRC Farm Imports Grow as Demand Outstrips Domestic Production

5 Portugal-EC Membership Talks To Begin Soon

6 Arab Markets Present Challenge To U.S. Food Exporters

9 Soviet Plan Results Mixed at Mid-1978

10 Large South African Corn Exports Seen

Cucumber crop at Al-Ain Oasis, United Arab Emirates.

PRC Farm Imports Grow As Demand Outstrips Domestic Production

Holding to their undulating course of recent years, U.S. farm exports to the People's Republic of China are headed toward nearly $500 million in calendar 1978 from less than a fifth that amount last year. The next turn in this unpredictable trade now depends on outcome of China's 1978 crops, which are looking good following a poor showing last year, as well as on farm policy and trade directions taken by the country's new leadership.

The People's Republic of China—recently in the vanguard of agricultural importers—appears destined for a still larger import role in the future as it strives to keep up with population and income growth.

So far, U.S. agricultural participation in this trade has been sporadic, with the United States functioning as an alternative source to traditional PRC suppliers such as Canada, Australia, Argentina, and several third-world nations. But past experience already has shown that when the PRC does "buy U.S." the impact can be dramatic—witness the $838 million worth of U.S. farm exports to the PRC in fiscal 1974 and China's rank that year as the fifth largest U.S. farm market.

Moreover, following a several-year absence from the Chinese market, the United States again has begun selling there in volume, with almost $500 million worth of farm products already in the pipeline for shipment to the PRC during calendar 1978.

Last year, the PRC ranked among the world's top agricultural markets as it imported some 6.9 million metric tons of wheat to compensate for a reduced domestic crop; 362,000 tons of soybeans, 157,000 tons of soybean oil, 1.6 million tons of sugar, and an estimated 1.5 million bales (480 lb net) of cotton. The United States, for its part, shipped 62,000 tons of soybean oil, 55,000 of soybeans, 8,000 of tallow, and 57,600 bales (480 lb net) of cotton to the PRC—about $66 million worth in total.

While dwarfed by the large volumes sold by Australia, Canada, and other traditional PRC suppliers, the U.S. showing represented a foot in the door following virtually no farm export business with the PRC in the previous 2 years.

And the momentum of this trade has accelerated sharply in 1978. U.S. sales and exports so far to the PRC have included 2.5 million tons of wheat; over 350,000 bales of cotton; 42,000 tons of soybean oil, and 14,000 tons of tallow. The country also is reported to have purchased several thousand head of U.S. breeder pigs.

All told, China has purchased nearly 6.5 million tons of the 8 million tons of wheat expected to be imported from all sources during 1978/79.

Those purchases have been made from Canada (3 million tons of wheat for delivery between September 1978 and August 1979), Argentina (which early next year will begin deliveries of the 3 million tons of wheat and/or feedgrains it agreed to ship China during 1979-81), and the United States.

In addition to the 8 million tons of wheat, the PRC will import several hundred thousand tons of coarse grains, largely corn from Argentina, during 1978/79.

Several factors—population growth, Government commitment to upgrading living standards, and expanding imports of agriculture raw materials—are pushing up Chinese import needs. Barring a sharp breakout of crop production from the static levels of the last few years, these factors should continue to accentuate demand.

Population growth, although now at a moderate 1.7 percent yearly, still results in nearly 17 million more people to feed each year as the country's population approaches 1 billion. This, in turn, means that foodgrain requirements increase by more than 4 million tons annually.

Yet the PRC has seen foodgrain production level off during the last 3 years at around 270 million tons after rising in most years of the previous decade. Two exceptions to that generally upward trend were declines in output during 1968 and 1972, which sparked trade expansion similar to that seen this year and last. The 1972 crop shortfall, for instance, precipitated 2 years of unusually large grain imports—a record 7.6 million tons in calendar 1973 and 6.8 million in 1974.

Each of these setbacks was followed by a production rebound the following year and by several years of successive gains.

The recent leveling off—which has been caused by protracted weather problems, including drought last year in northern China—may end with the 1978 harvest.

Koy L. Neeley, until recently USDA's representative to the U.S. Liaison Office in Peking,[1] reports that 1978 crops appear in much better shape than those of 1977 as a result of plentiful rain over most of China since early summer. Drought during the late spring in wheat areas of the North China Plain and the northwest turned out to be less severe than initially feared, and subsequent rains appear to have largely alleviated the problem.

This improvement is reflected in U.S. Department of Agriculture (USDA) forecasts that place PRC wheat output at 44 million tons—some 3.5 million above 1977's reduced crop but below the 1965-76 growth trend.

In southern China, where most of the rice is grown, Neeley found that production initially was hampered by cold, dry weather early in the season and then by rainy, cold weather at transplanting time.

Since then, conditions have improved considerably, and the crop appears to be about on schedule, despite the slow start. USDA currently is forecasting the total rice crop at

By Beverly Horsley, Associate Editor, *Foreign Agriculture*.

[1] **Mr. Neeley has been reassigned as U.S. Agricultural Attaché, Teheran.**

Left, spraying tobacco in China —the world's largest tobacco producer. Right, a group of research specialists inspect a field of vegetables in China. Below, a cotton textile mill. Expanding output of cotton textiles for export has contributed to China's recently large purchases of cotton, including sizable quantities from the United States.

130 million tons, compared with 126.5 million estimated for 1977.

For other crops, USDA forecasts a nearly 245,000-ton recovery in rapeseed over the reduced 1977 outturn of 1.24 million tons and gains in barley and pulses. Cotton likewise is seen rebounding from 1977's crop of around 9.6 million bales, and Neeley thinks that soybean output should be considerably better than last year's 9.5 million tons.

Recovery in oilseed and cotton output could temporarily limit growth in imports of cotton, soybean oil, and soybeans. Still, continued large imports appear likely in light of the strong domestic demand.

One reason is that cotton textiles—and gray goods in particular—have become important foreign exchange earners for the Chinese, and as long as world demand for textiles is strong, cotton import needs are likely to rise. The PRC has, for instance, become one of the largest U.S. suppliers of cotton textiles and is Japan's No. 1 source.

Concerning cotton imports, Neeley says, "we don't get any indication that the Chinese have substantially increased their cotton area, so if their spinning requirements are as high this season as they were in 1977/78 (August-July), they will probably import large quantities of cotton again in 1978/79." Those 1977/78 imports are estimated by USDA at 2 million bales, with some 500,000 coming from the United States.

Soybeans, once a hefty Chinese export that put China second to the United States in the soybean export market, became a major import last year along with soybean oil.

For 1978, Neeley sees China making a modest return to its net exporter role for soybeans, shipping perhaps 100,000 tons. The longer term goal is to rebuild exports to Japan by emphasizing specialized production of soybeans in the northeast.

In recent past years, China has shipped about 200,000-250,000 tons a year of food-type soybeans to Japan. But reduced oilseed production and increased domestic demand during 1976 and 1977 led to a 140,000-ton drop in such shipments between 1975 and 1977 and had Japan searching the world for new sources of supply, including the United States.

Demand in the PRC is being fueled by gradually rising wages and improving living standards. Last October, the Government announced wage increases for lower paid workers. In

addition, incomes are increasing as a result of sideline communal industries such as small machine shops, foundries, and furniture manufacturing.

Those industries have become major sources of both income and employment for China's communes. Neeley reports that on a number of communes he visited women dominated the agricultural workforce, while men apparently had been shifted over to light commune-owned industries.

Another change afoot that could alter consumption habits and import needs is the growing Chinese interest in animal feeding, mechanization, and use of chemical fertilizer.

Neeley says that the new leadership is emphasizing mechanization of hog and poultry production, although he has as yet seen little evidence of change at the commune level: "When one visits a commune, they tell you they are going to produce more pigs next year, so they will have more manure to use as fertilizer, but the big pressure still is to keep as near self-sufficiency as possible in grain production."

Obviously, there is a contradictory element in these goals, since modern technology requires increased use of feedgrains and protein, in contrast to rations that are now largely based on byproduct feeds, waste vegetables, and crop residues. Still, modern feeding practices appear to be gaining a foothold in China.

For instance, Neeley reports that an American consultant now in China is helping develop mechanized poultry operations and expects to help with construction of mechanized operations also. Moreover, some communes now slaughter pigs at 6 months of age, rather than at a year as has traditionally been done, which indicates that "some grain has been fed."

He continues, "it's hard to envision at the moment that the Chinese would adopt feeding programs similar to those in the United States. But obviously if they increase livestock production by using more grain as feed, they will have to import additional grain because domestic production now is fed mostly to human and draft animals."

Further mechanization is another goal of the Chinese, who already have mechanized water movement and deep plowing but still harvest and cultivate crops largely by hand. This labor-intensive system has been called a "garden agriculture," because it is so well manicured. "You don't see many weeds because workers simply remove the weeds by hand," says Neeley. "Also, they have very little grain loss resulting from a wet harvest season as there are enough workers to handle the wet grain and prevent spoilage."

Double cropping, water conservation, land reclamation, and other practices have been developed and refined to the point where land seldom lies fallow. For instance, around Peking, wheat or barley are produced in the winter, followed by rice, corn, or sorghum and cotton.

"Frequently, corn is interplanted with wheat before the wheat is harvested," says Neeley, "and the corn may be about 18 inches high by the time the wheat is harvested. After the wheat, they interplant sorghum and millet with corn, which gives them two plus crops a year."

In the Shanghai area, land suitable for rice is planted to winter wheat, then two crops of rice.

Secretary Bergland to China

Secretary of Agriculture Bob Bergland has accepted an invitation to visit the People's Republic of China later this year to discuss the possibility of expanding U.S. agricultural exports to that country.

"China is a country of 900 million people—potentially a tremendous market for increased exports of American agricultural products," Bergland said in announcing his acceptance. "We will discuss with leaders of the Chinese Government what might be done to expand trade and assure them we are capable of providing a continuing supply of high-quality foods and feeds at reasonable prices."

Secretary Bergland received the trip invitation at a breakfast meeting on Capitol Hill with leaders of a 26-man Chinese delegation that visited agricultural enterprises in 12 Midwestern States and California during August.

In some cotton areas, wheat or barley is grown in the winter and cotton in the summer, with the cotton initially grown in a seedbed and transplanted into the field; the stalks are cut before the last bolls open, tied in bundles, and left on threshing floors to mature, at which time the cotton is removed by hand. This allows early planting of the winter wheat crop.

The system has worked well for a country that—despite its massive land area—has limited amounts of cultivable land. New farmland can be added only at a tremendous investment of money, time, and labor. It also is not well suited to mechanization as known in the United States. However, Neeley sees the possibilities of developing new systems of mechanization especially adapted to PRC needs.

"China's current interest in mechanization," he continues, "appears to be focused mainly on replacing the hard labor jobs and freeing some of the labor force for work in the light industries."

A related concern is improvement of the infrastructure so that specialized production areas can be emphasized. Currently, the various regions of China are more or less self-sufficient in the food and agricultural raw materials required within each region—in part because of a lack of transportation and storage facilities but primarily because of past policies of regional self-sufficiency.

In short, China may be nearing something of an agricultural turning point, hoping to retain the good features of its present system while seeking changes that can free labor for other jobs, improve infrastructure, allow gradual shifts in consumption habits, and—most importantly—continue to keep its people adequately fed.

The country's current 10-year plan for economic development (1976-85) has the latter goal foremost in mind. That plan calls for foodgrain production of 400 million tons of grain by 1985, or some 40 percent more than the 285 million tons (including soybeans) reportedly estimated by the Chinese for 1977. In other words, output must rise by

Continued on page 10

Portugal-EC Membership Talks To Begin Soon

Portugal and the European Community are expected to open negotiations next month on Portugal's membership in the EC. The country could become an EC member by 1984, followed by a transition period of 5-10 years to aline its agricultural policies with those of the EC.

Along with two other prospective members — Spain and Greece—Portugal could greatly strengthen the "Mediterranean influence" on EC farm policies. EC accession negotiations for Greece are now well advanced, and later this year the EC Commission is expected to convey to the EC Council of Ministers its formal opinion in favor of Spain's admission.

Admission of Portugal already has been approved in principle, although the EC had to observe certain legal procedures before it could start formal negotiations on conditions for Portugal's admission.

One requirement was the formulation of an official opinion by the EC Commission, which was released in May.

The Commission recommended—and the Council of Ministers agreed—that negotiations with Portugal begin as soon as reasonably possible. After the Council approves a formal negotiating mandate, the Commission will have the go-ahead to open membership negotiations — probably sometime this fall.

According to the Commission report, Portugal's integration into the EC will be aided by the existence of EC-Portuguese trade accords, which give preferential market access to certain Portuguese exports to the EC, including some farm products. The latest of these agreements, revised in 1976, includes a protocol to help finance Portuguese development projects with EC funds.

However, the Commission also stresses that Portugal needs rapid economic growth, expansion of agricultural production, and improvement of farm productivity and infrastructure.

One of the EC's major agricultural problems in this second enlargement since the United Kingdom, Ireland, and Denmark acceded in 1973 is that the three new applicants all export Mediterranean-type (largely horticultural) farm products. These compete directly with the same products from southern France and Italy. Producers there are particularly concerned about competition from Portuguese tomatoes, tomato products, and wine; Spanish citrus fruits, fresh vegetables, wine, and olive oil; and Greek citrus fruits, olive oil, and fruit and vegetable juices.

Portuguese membership alone would not substantively affect the agricultural economy of the Community, but—coupled with the Greek and Spanish bids—the impact would be substantial.

In anticipation of enlargement, the EC has begun implementing measures for Mediterranean-type crops, aimed in part at keeping down surpluses and making present EC Mediterranean producers competitive with those from Greece, Spain, and Portugal.

Some of the reforms affecting Mediterranean agriculture, such as granting subsidies to processors of certain fruits and vegetables, are part of the EC's 1978/79 farm price package. For instance, the EC introduced large subsidies to processors of dried prunes, canned peaches, tomato concentrates, peeled tomatoes, and tomato juice. One of the effects of these subsidies could be the displacement of U.S. exports to the present members of the EC.

Since all the products involved are bound under the General Agreement on Tariffs and Trade (GATT), import replacement would constitute impairment of U.S. GATT rights.

At this time it is rather difficult to assess accurately the total impact of Portuguese membership in the EC on U.S. agricultural exports to Portugal without coupling it with Spanish and Greek membership.

U.S. agricultural exports to Portugal in 1977 totaled $413 million. Principal exports were grains, $295 million (of which $172.3 million was corn; $56.4 million, wheat; $48.4 million, sorghum; and $17.9 million, rice); oilseeds, $66 million (of which $33 million was soybeans; $27 million, sunflowerseed; and $1.5 million, safflowerseed); cotton, $30.4 million; and fats and oils, $8 million. Exports of soybean meal were $1.6 million.

These exports were facilitated in part by P.L. 480 Title I credits ($70 million) and CCC export credits ($118 million).

Even after full membership is achieved, most U.S. farm exports to Portugal should continue at high levels since EC production of these commodities will continue to fall short of needs. Exports of soybeans, soybean products, and cotton could actually benefit from the more liberal regime of the EC. However, sales of U.S. corn might be impaired by the provisions of the EC's Common Agricultural Policy—*By Developed Market Economies Division, European Communities Group, FAS.*□

Egypt's Wheat Needs Expand

Egypt's modernization of its wheat milling and baking industries will increase its need for larger quantities of high-quality U.S. wheat, according to James Frahm, Great Plains wheat marketing specialist and team manager for the recent Egyptian wheat trade mission that visited the United States.

Egypt, the largest wheat customer in the Middle East, consumes about 6 million tons of wheat annually. More than two-thirds of this total must be imported, of which nearly half is usually from the United States.

As Egypt's milling and baking facilities are upgraded, Great Plains wheat wants to insure that the United States maintains and expands its share of the Egyptian market.

The 15-day tour of the United States was sponsored by Great Plains Wheat, Inc., and USDA's Foreign Agricultural Service. □

Arab Markets Present Challenges to U.S. Food Exporters

By Ahmed D. Abou-Bakr

Twenty Arab countries—a number of them rich in oil revenues—are important markets for U.S. agricultural products. However, the U.S. share of these markets is relatively small, although it can probably be increased if exporters are willing to spend the time necessary to understand the people, customs, and institutions that govern trade there.

In recent years, U.S. exporters of farm products have seen sales to the 20 Arab countries[1] increase in both absolute and relative terms. However, many businessmen believe exports can be pushed higher, provided exporters are willing to learn as much as possible about the nature of the people and institutions that control markets in these countries.

While these nations are relatively strong customers for U.S. agricultural products, U.S. products make up a relatively minor part of their total farm product imports. Arab imports of U.S. farm products have grown at an annual rate of over 36 percent—from just $170 million in 1968-70 to a yearly average of almost $1.1 billion in the period 1974-76 to $1.6 billion in 1977.

But the U.S. share of this rich market has only grown from about 10-12 percent annually in 1968-70 to a modest 16 percent in 1977. However, the potential for growth is great, sparked by rising per capita income, particularly in the Arab oil-producing countries of Algeria, Kuwait, Libya, Saudi Arabia, and the United Arab Emirates.

Total agricultural imports by the Arab countries have risen at a fast clip in recent years—from $1.77 billion in 1970 to $8.5 billion in 1976, and there are signs the total will climb to about $10 billion in 1978. These imports are mostly grains, processed foods, oilseeds, and poultry and dairy products.

Most Arab countries will never be able to supply their entire food needs; they will continue to require imports. The question is: "From which countries will these imports come?"

The Arab nations realize that self-sufficiency in food production by each individual country is probably neither feasible nor desirable. The current policy is to promote agricultural production in certain countries such as the Sudan, which is expected to become the Arab food basket within a decade. But despite this specialization, there are many foods — especially grains—that will continue to be imported.

Efforts are also being made to integrate the agriculture of the Arab countries. The objective is to boost farm trade among themselves, but such integration remains a distant possibility.

Recognition of the Arab world's limited potential for grain production has resulted in a greater dependency on world grain markets. Arab grain imports in 1977 were about 14 million tons of wheat, 1 million tons of rice, and 2.5 million tons of coarse grains. The United States is a regular supplier of Arab grain imports.

In 1976/77 (July-June) Egypt imported some 2.1 million tons of U.S. grain and flour, while Algeria imported 359,000 tons. Egypt and Algeria are just two of the important Arab countries that appear in the world market regularly for sizable purchases of grain and other commodities.

Arab demand for food imports is growing steadily and is likely to increase in coming years, the result of strong population growth—about 3 percent a year for a total of just over 140 million people in 1977—and rising incomes.

Diets are about the same throughout the area. Wheat is the staple cereal food and poultry and sheep are the sources of meat, although some oil-rich countries are importing top-grade beef or slaughter cattle. U.S. prepared foods are being imported in sizable volumes by some of these countries, often including snack foods. But in general, diets remain about the same as in the past.

This sameness has grown out of a complex set of conditions that are relatively uniform for all 20 of the Arab countries. These include cultural and dietary traditions and practices that stem from their Islamic faith, geographic conditions that are nearly identical throughout most of the Arab countries, similar climates, and a nomadic background.

While there are shades of cultural differences between the various countries, trade conditions are very similar. Most or all of the countries, have set up regulations that make market entry difficult. Another problem is that of communication. Many of the government officials speak only Arabic, although some speak and understand French or some other European language. The number who speak English is relatively limited.

Also, the government bureaucracy in each of these countries often contains a single official who makes the decisions about whether to import or not. Thus, time must be spent locating this official before trade talks can be started. But, in the long run, this is time well spent.

In each of the Arab countries, agricultural trade is the monopoly of the government. In most of the countries, U.S. exporters will be dealing with government agencies or trading companies. Also, whether a country imports a given commodity, or is trying to produce it, depends on the country's agricultural plan. So it would be wise for U.S. exporters to acquaint them-

[1] *Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, the United Arab Emirates, Yemen Arab Republic, and Yemen Democratic Republic.*

Dr. Abou-Bakr is an agricultural economist, Foreign Demand and Competition Division; Economics, Statistics, and Cooperatives Service.

From top: Propagating seed and growing crops under cover at the Sadiyat experimental farm in the United Arab Emirates. The UAE is one of the oil-rich Arab countries spending large sums on agricultural imports, while at the same time making efforts to boost domestic production of farm products. However, output is expected to remain minimal despite these efforts.

selves with the plan, if possible, since it is an important element of Arab economy and often serves to link political and economic goals.

But even after the proper official is identified, appointments made and kept, and discussions held, there are still difficulties to overcome. There is, for example, relatively little accurate data available about the agricultural production of most of the Arab countries, and their import needs often are well kept secrets. But there may be one exception to these general rules. Saudi Arabia operates a trade center in Jidda, and accurate data about that country is often available from this source.

The center's address is King Abdelazez Street, P.O. Box 4571, Jidda, Saudi Arabia.

One weakness found throughout most of the Arab countries is the general lack of infrastructure to smooth the flow of goods from ship to dock to the interior. In most countries, unloading, handling, refrigeration, distribution, and warehousing facilities are limited or missing, although some countries are building or improving such utilities. In Saudi Arabia, for example, a new port is being built at Yando; in Egypt, port facilities are being improved at Bur Safajah.

Although problems hampering trade with the Arab countries are difficult to overcome, they are not insurmountable. Arab needs for food imports, and the rewards available to the trade for meeting these requirements make the effort worthwhile. For example, in 1977, agricultural imports by Egypt are estimated at $2 billion; by Iraq, $1.2 billion; by Saudi Arabia, $1.3 billion; and by Algeria, $1.2 billion.

Behind these large imports are a number of factors. Perhaps the most important is the availability of funds from petroleum sales mostly to Western countries. The eight petroleum producing countries—with just about one-third of total Arab population—had oil exports in 1976 amounting to $66.9 billion, or 60 percent of total OPEC (Organization of Petroleum Exporting Countries) exports of $111.1 billion.

The inflow of petroleum

revenue has given the Arab countries a pool of international funds that, between 1974 and 1976, averaged about $37,520 million annually, or some 16 percent of the world's total currency reserves of $236,328 million. Saudi Arabia held about 57 percent of world reserves in the hands of the Arab countries.

A large share of these petroleum funds are channeled through facilities of financial institutions created especially for this activity. Some of these monies are earmarked to improve agriculture—such as the Sudan project—and some to pay for nonagricultural activities.

Many of these organizations are now drawing up program priorities so that little information is available about their future plans dealing with agriculture. However, some U.S. agribusinesses with various degrees of success have contacted some of these groups directly to arrange financing.

Arab financial institutions can be divided into two categories: Those providing credit at concessional rates of interest and those providing it at commercial rates. They can further be subdivided into groupings such as those financed by a single government, by two or more governments, by government/private groupings, and by private agencies alone.

Bilateral organizations providing concessionary financing had a total authorized capital of more than $6 billion in 1975. A number of these were established to finance activities for nonoil-producing developing countries, either for particular projects or to strengthen balance of payments positions.

• Among the organizations providing concessionary project aid are the Arab Fund for Economic and Social Development (AFESD)—now called the Arab Authority for Agricultural Investment and Development (AAAID), the Islamic Development Bank (IDB), the African Development Bank (ADB), the Arab Bank for Economic Development of Africa (ABEDA), and the Arab Petroleum Investment Company (APIC).

Several proposed funds also will provide concessionary project aid. These include the OPEC Fund for Developing Countries, to be financed with $800 million of OPEC funds pledged in 1976 for both project and balance-of-payments support; the Solidarity Fund for Economic and Social Development in Nonaligned Countries, and the Arab Monetary Fund.

AAAID credit terms depend on the financial condition of the recipient—ranging from an interest rate of 4 percent for some of the least economically viable countries to 6 percent for others. The terms also take into account the type of project under consideration and the degree of risk. The Fund gives priority to projects in Arab countries and to those designed to stimulate public and private investments by non-Arabs in those countries through joint financing activities.

For the most part, all of the credit institutions differ not only in membership, but also in the list of countries scheduled to receive assistance. IDE is expected to concentrate on non-Arab Islamic countries. Arab countries will receive assistance from AAAID. ABEDA will concentrate on non-Arab African countries.

There are other differences. IDB will charge no interest, although it may apply a service charge. It also differs from most other Arab funding groups in that it expects to operate through executing agencies consisting of nationals of the recipient country, rather than by IDB staffs set up for this purpose.

Concessionary aid for balance of payments purposes is being provided by the Fund for Arab Oil Importing Countries and the Special Arab Fund for Africa (SAFA). The Oil Fund committed about $80 million in interest-free loans in both 1974 and 1975, solely to Arab countries with balance-of-payments problems associated with high petroleum prices; SAFA committed $185 million in each of the same years for interest-free loans to African countries with similar problems, and to compensate them for economic losses resulting from severance of relations with Israel.

• Institutions providing financing at commercial rates may be individual governments, quasi-governmental agencies, private organizations, and/or private individuals.

Examples of institutions financed in part or completely by Arab governments are the Arab Investment Company (AIC), the Gulf International Bank (GIB), and the Arab-African Bank (AAB). GIB is financed under a provision that permits up to 49 percent of each government's share to be underwritten by individuals or companies located in that country.

AIC, established in 1974 with a capital of $300 million as of October 1975, is probably the largest institution in this category. Set up to invest Arab public funds in equities, or in loans on commercial terms. AIC gives priority to development of agribusinesses, metal-working industries, and tourism. AIC already has invested in a Sudanese sugar project and an Arab insurance company.

Bilateral ventures making commercial-rate loans often consist of an oil producing country and a nonproducer. Many of these ventures involve Egypt and are designed to promote investment in that country.

These include the Egypt-Kuwait Investment Company, the Saudi-Egyptian Industrial Investment Company, the Saudi-Egyptian Reconstruction Company, and the Misr-Iran Development Bank.

A substantial grouping consists of Arab banks that affiliate with financial institutions in other countries in the Middle East and elsewhere. Among the non-Arab countries involved in such affiliations are France, the United States, Iran, Australia, Japan, Canada, and countries in Southeast Asia.

And another group of multinational institutions—while not themselves providing financing—offer other services. They advise would-be investors, identify profitable projects, develop prospectuses, and provide insurance and investment guarantees. The Arab International Insurance Company, with capital provided in part by Mideastern, European, and Japanese insurance companies, offers commercial insurance coverage to Arab and non-Arab countries for industrial, commercial, and other development projects in free-trade zones.

The Inter-Arab Investment Guarantee Corporation, which includes all members of the Arab League except Oman and South Yemen, guarantees Arab investors against losses from expropriation, nationalization, and other noncommercial risks of investment in another Arab country. □

Soviet Plan Results Mixed at Mid-1978

By Angel O. Byrne

A report by the Soviet Union detailing successes and failures in reaching goals set by the 1978 semi-annual farm plan, indicates the results are mixed. Performance in some areas was a great deal better than in 1977, in others it was less satisfying than a year earlier.

In general, production of most meat and dairy products in the socialized and industrial sectors made moderate gains. Numbers of livestock increased in all categories, and—with the exception of sheep and goats—all reached record levels. Investment in agricultural capital was heavier.

Deliveries of mineral fertilizers were substantially higher, whereas deliveries of feed additives were sharply lower.

Soviet crop area in 1978 totals some 217.9 million hectares, about equal to the annual average for 1975-77. Grains occupied 129.5 million hectares, compared with 130.3 million preliminarily estimated a year earlier. Reportedly, areas planted to wheat, rye, rice, cotton, and soybeans were all larger than those planted last year.

Total cattle numbers on State and collective farms —at 91.8 million head— were up 2 percent in 1978, as were cow numbers. Poultry and hogs made the largest percentage gains as poultry numbers rose by 8 percent to 644.4 million and hogs 7 percent to 56.5 million head. Sheep and goat numbers—at 145.6 million head—were greater than the July 1, 1977, totals, but less than the record of 146.8 million head set on July 1, 1975.

Industrial production of most agricultural products gained from levels of the year-earlier period. The largest percentage gains were noted in the production of vegetable oil and meat. Output of whole milk products showed an absolute gain in 1978, but the percentage rise was smaller than that recorded in the first 6 months of 1977. Butter output, which rose by 20 percent in 1977 compared with the year-earlier period, totaled 3 percent less in the 1978 period than in the same months of 1977.

Total industrial meat production was 4.3 million tons, an 8 percent gain, compared with 4 million in the first half of 1977. Output of whole milk and products rose from 12.4 million tons in 1977 to 12.7 million tons in 1978, while butter tonnage fell from 697,000 to 675,000. The first-half gain in vegetable oil output between 1977 and 1978 was from 1.4 million tons to 1.6 million.

Data covering total production of livestock products on State and collective farms and interfarm complexes were not included in the semiannual economic report. However, a press report, published some time later, recorded that total meat output (live weight) rose by 6 percent in the socialized sector in the January-June 1978 period to 7.5 million tons.

According to the report, beef was up 5 percent; pork, 6 percent; mutton and lamb, 1 percent; and poultry meat, 19 percent. Egg output was up 6 percent, but milk remained at the level of a year earlier.

Soviet data also indicated that retail sales of most food items were larger this year than in the same period last year, although few absolute figures were given. Sales in State and cooperative outlets during January-June 1978 totaled 115 billion rubles, a 4 percent rise from the total during the first 6 months of 1977.

Sales of baking products, meat and meat products, and potatoes gained significantly over last year's levels, increases made notable largely because 1977 production levels were lower than those of 1976. On the other hand, although 1978 sales of butter, whole milk products, cheese, eggs, fruits, and vegetables showed percentage gains smaller than those of 1977, the higher production base in 1977 made even these small gains important. Only sugar and fish and fish products showed sales drops in 1978, compared with 1977.

Mineral fertilizer production reached 50.3 million tons (gross weight), 4 percent more than in January-June 1977. Of the total production, agriculture received 40.9 million tons, a total 7 percent higher than the amount received in 1977. Delivery of feed additives to agriculture dropped 14 percent, compared with the previous year's delivery total, to 1.3 million tons, thereby falling short of planned delivery levels.

Capital investments by State and collective farms during the first half of 1978 totaled 14.1 billion rubles, 4 percent more than in the same period in 1977. Investments for land improvement and other related projects reached 3.1 billion rubles, a gain of 5 percent from a year earlier.

Much of the increase in capital investments was spent for developing irrigation, drainage, and watering facilities, but the amount of watered or drained hectares added to the country's total for agricultural production was less in 1978 than in the 1977 period. Newly irrigated land — at 260,000 hectares—was 60,000 hectares less than in the first half of 1977, while newly drained land—at 270,000 hectares—was 30,000 hectares less. The area of pastureland supplied with water was smaller by 100,000 hectares and totaled 2.9 million hectares, compared with 3 million hectares the previous year.

The number of additional spaces built to house livestock were the same as in first half 1977 at 1.7 million, but the number of spaces added for poultry rose from 5.2 million to 5.5 million, a gain of 6 percent. In January-June 1977, the number of livestock housing spaces added rose by 183 percent and poultry housing by 173 percent.

This year's progress was even slower, compared with 1977's, in the construction of so-called poultry factories for raising layers and broilers. New facilities for 1.1 million layers and for 6.2 million broilers annually were added in the first half of 1978, compared with facilities built in the first half of 1977 for 1.3 million layers and production of 7.5 million broilers. □

The author is an economist in USDA's Economics, Statistics, and Cooperatives Service.

Large South African Corn Exports Seen, If Prices Hold Firm

Depending on the export price level, South Africa's corn exports could reach nearly $400 million during the 1978/79 marketing year (May-April) and account for almost 30 percent of the country's agricultural export earnings.

Thus, corn again would be one of South Africa's most important farm export earners. During calendar 1977, corn's share of the country's combined agricultural export value dipped to 14 percent and was surpassed by both sugar and wool. However, sugar exports have to be limited under the new International Sugar Agreement and are likely to be down in both volume and value this season. Sugar is South Africa's major agricultural export to the United States.

The outlook for wool is satisfactory as both production and earnings were up slightly in the 1976/77 season. However, wool exports are expected to drop because of lower stocks at the beginning of the 1977/78 season.

With a large corn carryover, a near-record 10-million-ton crop being harvested, and exports estimated at 3.4 million tons, the world price for corn will be a significant factor in South Africa's economy this marketing year. For 1978, corn production is expected to approach 25 percent of the country's gross agricultural farm production.

South Africa's corn crop is subject to wide swings because of the country's variable climate. In good years, South Africa becomes a corn competitor of the United States.

Leading markets last season were Japan, Taiwan, Hong Kong, and the United Kingdom. Exports totaled 2.5 million tons, worth about $260 million. In the 1976/77 season, corn exports were only 1.5 million tons, but earnings were $190 million as export prices were at record levels for South Africa.

The Government has permitted the break-even corn export price (free alongside coastal elevator) to be increased to $125-$130 per ton for the current marketing year. Recent U.S. Gulf Port corn prices generally have been below this level. They averaged about $100 per metric ton during 1977 and around $105 during the first half of 1978.

South Africa's gross producer prices for corn were increased 13.5 percent to $96.60 a ton for the current year, but a $4.14 per ton levy is being deducted on corn delivered to the Maize Board to cover possible or expected export losses. After paying out about $32 million to cover export losses last year, the Stabilization Fund was low (about $17 million) at the beginning of the current marketing year. This year's special levy deduction should total more than $35 million and will cover an average loss of only about $10.50 per ton, assuming that 3.4 million tons are exported. Provisions have not been spelled out for covering possible higher export losses. Last year's average loss was about $12.70 a ton, but producer prices were $11.50 per ton less.

Farm organizations complain that producer prices are not high enough, but farmers apparently increased corn plantings slightly (about 1 percent) this season to 4.498 million hectares.

Wheat is another major enterprise in South Africa. The world market price has had a constraining impact on South Africa's wheat production this year. Deliveries of wheat are expected to drop about 20 percent from last year's record to about 1.8 million tons.

Exports of only about 150,000 tons are expected. Large losses on wheat exports last year and probably this year are a factor in the Government's refusal to approve a higher producer price for the current marketing year, with the price being equivalent to $141.45 a ton. — *By Lawrence A. Witucki, ESCS.*

Continued from page 4

PRC Farm Imports

nearly 15 million tons a year between now and 1985, which is highly optimistic given the static results recently.

Neeley thinks that to reach this goal the Chinese will have to make much greater use of chemical fertilizer and develop plant varieties that respond to chemical fertilization better than those used presently. Some shift in this direction already is evident.

"They are moving toward shorter straw for both wheat and rice and into the area of hybrids, where a lot of breeding work is being done to improve the productivity of grain," says Neeley. "If they are able to solve these plant breeding —and fertilizer supply— problems, yields could increase greatly."

Improvements likewise could be made in irrigation, although most of the easy gains have already been achieved. Other options:

- Opening up new land to production through structural improvements;
- Bringing the performance of low-productivity communes up to levels of the more productive ones;
- Setting aside certain areas for production of industrial crops such as cotton, peanuts, and soybeans.

Whatever approach is taken, the Chinese have a formidable task ahead and appear to be looking to other countries for ideas and technology.

Last month, for instance, a 26-man Chinese delegation arrived in the United States to observe agriculture in 12 Midwestern States and California. The visit, sponsored by the Mid-America International Agri-Trade Council (MIATCO) and its 12 state members, took the team to grain and soybean production and processing industries, livestock feeding operations, farm equipment factories, and other enterprises representative of U.S. agriculture.

Other groups, including a wheat team, have been here earlier in the year, while high-level U.S. missions have traveled to China recently. □

Livestock Slaughter Up In Mexico

Drought conditions in northeastern Mexico have contributed to higher-than-normal levels of livestock slaughter, total beef exports, and feeder cattle exports to the United States, according to Donald M. Nelson, U.S. Agricultural Attaché in Mexico City.

Mexico's imports of dairy cattle (mostly bred heifers) could approach 50,000 head for calendar 1978 if price and other conditions are favorable, but purchases thus far have been slower than anticipated.

Mexican exports of fresh, chilled, and frozen beef subject to the U.S. Meat Import Law through the fourth week of August totaled 39.9 million pounds, compared with 35.1 million pounds in the comparable 1977 period.

Total beef exports during January-May were 358 tons (up 56 percent); pork, 406 tons (down 29 percent); and horsemeat and offal, 2,675 tons (up 93 percent). Japan is the principal market for Mexico's meat exports after the United States.

Mexico's exports of feeder cattle to the United States during January-May totaled 339,000 head, 54 percent above exports in the year-earlier period.

Livestock slaughter in Federally inspected plants during January-May included 378,355 head of cattle (up 18 percent), 195,030 hogs (up 4 percent), and 83,892 horses (up 68 percent).

A new cause for concern is the outbreak of African swine fever in Brazil (reported in June) and in the Dominican Republic (reported in July).

As any evidence of African swine fever in Mexico could mean the loss of livestock and the country's pork export markets, the Mexican Government has prohibited all imports of pork products from Brazil, the Dominican Republic, Portugal, Paraguay, Spain, and Italy.

In addition, the Government now requires passengers arriving at the Mexico City International Airport from other countries to step on a foam-rubber mat impregnated with a chemical disinfectant designed to kill any African swine fever bacteria on their shoes. □

New FAS Publications

- Reference Tables on Area-Yield-Production of All Grains (FG 8-78)
- Production and Export Prospects Change for Southern Hemisphere Corn and Grain Sorghum Exporting Countries (FG 9-78)

Single copies may be obtained free from the Foreign Agricultural Service, USDA, Washington, D.C. 20250, Rm. 5918S. Tel. (202) 447-7937. □

West Germany Sets Fruit Chemical Tolerance Level

The recent revision of West Germany's Pesticide Residue Ordinance will permit imports of fresh U.S. apples and citrus previously excluded because of treatment with certain chemicals by the U.S. fruit industry.

In a move long sought by FAS, the new ordinance establishes a tolerance level for apples and pears of 3 parts per million (ppm) of diphenylamine, a storage protectant widely used in the United States. The ordinance does not require specific labeling of the fruit so treated.

U.S. regulations currently call for a tolerance of 10 ppm for apples; there is no residue tolerance for pears in the United States.

For citrus fruit, the German ordinance now establishes a tolerance level of 30 ppm of secondary butylamine (2 AB)—the same level existing in the United States.

Although in the United States, the ordinance further restricts its use to postharvest only. The German ordinance also says no specific labeling is required.

Although felt to be a welcome step forward, the new tolerance level for butylamine will be less important to U.S. citrus exporters than would a relaxation of the current German tolerance level of 7 ppm for the more widely used pesticide, benomyl, that currently constitutes a greater deterrent to trade.

U.S. exports of apples to West Germany have been limited, amounting to about 14.9 metric tons in 1977; pear exports in that year amounted to 735 tons, a jump from around 240 tons in both 1975 and 1976. Primary sources for West German imports are France and Italy.

U.S. exports of citrus fruit have dropped from 39,000 tons in 1975 to 11,000 tons in 1977. This is the result of lower supplies. □

Foreign Agriculture

Vol. XVI No. 38
September 18, 1978

Bob Bergland, Secretary of Agriculture.

Dale E. Hathaway, Assistant Secretary for International Affairs and Commodity Programs.

Thomas R. Hughes, Administrator, Foreign Agricultural Service.

Editorial Staff:
Kay Owsley Patterson, Editor
Beverly J. Horsley, Assoc. Editor; G. H. Baker; Marcellus P. Murphy; Aubrey C. Robinson; Lynn A. Krawczyk; Isabel A. Smith.

Advisory Board:
Richard A. Smith, Chairman; Richard M. Kennedy; J. Don Looper; Larry N. Marton; Jimmy D. Minyard; Turner L. Oyloe; Steven Washenko.

The Secretary of Agriculture has determined that publication of this periodical is necessary in the transact .) of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget, through June 30, 1979. Yearly subscription rate: $38.00 domestic, $48.00 foreign; single copies 80 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

PENALTY FOR PRIVATE USE, $300
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

U.S.MAIL
First Class

FA SERIA300SBISSDUE009R 1
SERIALS PROCESSING
XEROX UNIV MICROFILMS
300 N ZEEB RD
ANN ARBOR MI 48106

U.S. Foods Show Taps Rich Venezuelan Market

Seventy-five U.S. companies were represented in a U.S. consumer-ready foods show in Caracas, Venezuela, late in July.

The trade-only show, sponsored by the Foreign Agricultural Service, was the first ever staged by FAS in Venezuela and the largest held in the growing Latin American market. Venezuela is a key buyer there and last year ranked as the top U.S. farm market in South America, taking $304 million worth of U.S. farm exports, against $273 million the year before. U.S. sales of consumer-ready foods hit $60 million, last year, compared with only $23 million sold in 1976.

Sales at the 3-day show were made by companies that had agents or importers established in Venezuela and included orders for breakfast foods, further-processed turkey products, shell eggs, dry beans, apples, pears, canned fruits and vegetables, frozen precooked meals in cooking bags, pork for manufacturing, popcorn, wild rice, and pet foods.

However, for most of the participants this was their first exposure to the Venezuelan market, which meant that selection of agents was the priority activity.

As U.S. Agricultural Attaché to Venezuela James E. Ross explained in preshow briefings, Venezuelan product registration and import licensing rules make local representation mandatory for exporters.

There was no shortage of prospective agents among the visitors to the show, and some were signed to begin the task of obtaining import approval for their clients' products. Approval may require several weeks, but it is necessary.

Interest was particularly high in U.S. fruits—canned, dried, and fresh—with all the major Venezuelan fruit importers visiting the show, according to one exhibitor. Speciality food items and other U.S. products new to the market also drew substantial interest.

Venezuelan importers and food managers praised the quality of U.S. beef on display, but for them it was a case of look but don't touch. They saw little chance of getting import licenses, even for hotel use, under current Government policy.

Cheese fudge, a snack and dessert item from Michigan, drew a lot of attention at the U.S. food show in Caracas, according to company representative Maynard Bailey, St. Johns, Mich., right.

Agricultural trade regulations are geared to Government domestic policies designed to encourage farm production, create jobs in farm-related industries, and provide ample supplies of basic foods at noninflationary prices.

The Government, through its Agricultural Marketing Corporation (CMA), controls the importation and marketing of many commodities—including red meat and poultry — trying to balance supply, demand, and price. The CMA threw open the market to beef imports last year, then closed it after a surge of imports overwhelmed the country's currently limited freezer capacity.

The CMA is bringing in raw pork, such as fresh hams, for further processing in Venezuelan plants, and U.S. pork purveyors were pleased with business and business prospects developed at the show.

On the second day of the exhibit, the Government announced a more liberal policy on chicken imports, which means increased sales prospects for U.S. poultry exporters.

Despite the complexities of the market, exhibitor estimates after the show indicated a total of over $5 million in sales would be made during the ensuing year. □